

Message Text

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PAGE 01 MONTRE 00788 181422Z

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 L-03 H-02 /101 W

-----190310Z 062330 /20

R 181251Z MAY 77

FM AMCONSUL MONTREAL

TO SECSTATE WASHDC 8970

INFO AMEMBASSY OTTAWA

AMCONSUL QUEBEC

AMCONSUL TORONTO

UNCLAS MONTREAL 788

E. O. 11652: N/A

TAGS: EFIN, CA

SUBJ: QUEBEC FINANCIAL ISSUES

REF: MONTREAL 754

1. MONTREAL URBAN COMMUNITY HAS ANNOUNCED PLANS TO RAISE DOLS 100 MILLION IN EUROPE IN FORM OF SEVEN YEAR SYNDICATED EURO CURRENCY BANK LOAN. CHASE MANHATTAN SAID LOAN WOULD BEAR INTEREST AT 1.25 POINTS ABOVE INTERBANK EURO DOLLAR OFFERED RATES FOR FIRST FOUR YEARS, AND 1.375 POINTS ABOVE FOR REMAINING THREE YEARS. PROCEEDS ARE TO BE USED FOR SUBWAY EXTENSION, AND/OR SEWAGE TREATMENT PLANTS.

2. ANNOUNCEMENT BY MONTREAL URBAN COMMUNITY WAS MADE SAME DAY THAT QUEBEC PROVINCIAL GOVERNMENT ANNOUNCED IT HAD FINALIZED SEVEN-YEAR LOAN FOR DOLS 300 MILLION IN LONDON. (LOAN REPORTED IN OTTAWA 03142). TERMS ARE FOR FLOATING INTEREST RATE 1.125 O/O ABOVE LONDON INTERBANK RATE (LIBOR) FOR FIRST TWO YEARS AND 1.25 O/O ABOVE LIBOR FOR FIVE FOLLOWING YEARS. IN ADDITION TO BANK LOAN, PROVINCE OF QUEBEC ANNOUNCED LAST WEEK (SEE MONTREAL UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MONTRE 00788 181422Z

754) THAT IT WOULD FLOAT DOLS 150 MILLION DEUTSCHE MARK (DOLS 65 MILLION) BOND ISSUE LATER THIS MONTH THROUGH SYNDICATE HEADED BY COMMERZBANK AND WESTDEUTSCHE LANDESBANK OF GERMANY. BONDS WILL CARRY 7.25 COUPON AND TEN YEAR MATURITY WITH PRICING SCHEDULED FOR MAY 20.

3. PRESS REPORTS COMMENT THAT DOLS 365 MILLION IN PROVINCIAL

BORROWING WILL COVER MORE THAN ONE-THIRD OF DOLS 900 MILLION THAT FINANCE MINISTER JACQUES PARIZEAU SAID PROVINCE WOULD NEED TO BORROW IN CURRENT FISCAL YEAR. OPINION OF FINANCIAL AND ECONOMIC COMMUNITY, HOWEVER, IS THAT PARIZEAU'S ESTIMATE MAY BE ON LOW SIDE AS SHORT FALL IN REVENUES DUE LAGGING ECONOMY AND HIGHER THAN ESTIMATED EXPENDITURES COULD INCREASE FINANCING REQUIREMENTS BY ADDITIONAL DOLS 300 MILLION.

4. AFTER PERIOD OF RELATIVE INACTIVITY, ACTION IN QUEBEC FINANCIAL SECTOR HAS THUS PICKED UP, WITH HYDRO-QUEBEC COMPLETING FIRST PUBLIC ISSUE SINCE NOVEMBER ELECTION, FOR DOLS 100 MILLION IN CANADA, LAST WEEK. (SEE MONTREAL 754). IN ADDITION, QUEBEC CARTIER, A SUBSIDIARY OF U.S. STEEL, ANNOUNCED MAY 16 THAT IT HAD PRIVATELY-PLACED DOLS 210 MILLION IN SECURITIES WITH UNNAMED AMERICAN FINANCIAL INSTITUTIONS. PROCEEDS ARE TO BE USED FOR DEVELOPMENT OF IRON ORE DEPOSITS AT MOUNT WRIGHT AND FIRE LAKE IN QUEBEC.
HARPER

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